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UNCLAS QUEBEC 000035

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SUBJECT: QUEBEC NATURAL RESOURCE MINISTER ON SOFTWOOD,ENERGY

REF: 03 QUEBEC 233

1. (SBU) Summary: Natural Resources Minister Sam Hamad told CG Keogh February 17 that a combination of allocation quotas at a level of 35% and dropping the 48/52 split of the accumulating duties as proposed by the U.S. would form the basis of a softwood lumber deal. A substantial portion of the duties, if not all, should be returned to Canada, he asserted. He also told us that log validation was one of his main concerns and stressed that the province was impatient to see a Quebec annex published in the policy bulletin. Minister Hamad has asked to meet the Ambassador when he visits Quebec in March and arrange a working lunch and presentation on energy. He also requested assistance in visiting the United States for exposure to U.S. views and policies as a VOLVIS this summer. End Summary.

Softwood Lumber

2. (SBU) On February 17, CG Keogh and Pol Asst Nadeau met with Sam Hamad, Quebec Natural Resources Minister, and his staff director Jean Quenneville. Allocation of export quotas at the historical level of 35%, or better, and an important slice of the duties, if not all, instead of the current 52/48 proposal favoring the U.S., would be a palatable solution and clinch a softwood lumber deal tomorrow, asserted Hamad. He also commented that log validation was one of his main focuses while stressing that the province was impatient to see a Quebec annex published in the final USDOC policy bulletin on lumber.

Energy and Ambassador March Visit

3. (SBU) Hamad proposed a working lunch with the Ambassador March 23 in Quebec with a focus on energy security. The hold on natural gas exploration in the Gulf of St Lawrence, because of environmental concerns relating to sonar activity that disturbs belugas and other marine life, did not preclude exploitation of current known reserves. Hamad made it clear the hold was temporary while other less invasive tests were developed for use in exploration. However, negative public opinion remained a factor, he stated. An immense pocket of gas, he named "Old Harry," located between Newfoundland and Quebec's Ile d'Anticosti, is even bigger than the Hibernia Project. Hamad noted tht the oil sands in the Canadian West will run out in about 30 years, so that other energy sources must be identified.

4. (SBU) The Minister added that he was working on a broad-based national prosperity strategy on regional development. He is looking to attract investments to Quebec and getting more U.S. involvement, especially in the mining sector. A new source of diamonds was discovered in Northern Quebec at Mont Ottish two weeks ago by Ashton Mining. Ashton is a small company and they are still in the exploration phase. At this stage, it is a 50/50 partnership with Quebec government agency SOQEM.

VOLVIS Program

5. (U) Sam Hamad expressed strong interest in participating in an individual VOLVIS program in the US. He said the best timing for him would be sometime in the summer, ideally in early July, once the provincial legislature has recessed. In Washington we suggested meetings at State, the Department of Energy, and Commerce to discuss softwood lumber, as well as a trip to Houston to look at the energy sector, California (Sacramento and San Francisco) for wind energy and conservation practices. Hamad was enthusiastic about going to Yale and Harvard universities to meet with think tanks. He said his main areas of interest would be energy policy, and renewable sources of energy.

6. (SBU) Comment: Mr. Hamad was not entirely clear about what he thought would be acceptable (and workable) "ballpark figures" from Quebec's point of view to resolve the softwood lumber impasse. There is obviously room for interpretation as well as a continued strong desire to end the dispute.